



OKLAHOMA STATE BUREAU OF INVESTIGATION

Operational Audit

For the period July 1, 2014 through June 30, 2024

Cindy Byrd, CPA
State Auditor & Inspector

**Audit Report of the
Oklahoma State Bureau of Investigation**

**For the Period
July 1, 2014 through June 30, 2024**



OKLAHOMA
Office of the State Auditor & Inspector

Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov

December 13, 2024

TO THE OKLAHOMA STATE BUREAU OF INVESTIGATION COMMISSION:

We present the audit report of the Oklahoma State Bureau of Investigation for the period July 1, 2014 through June 30, 2024. The goal of the State Auditor and Inspector is to promote accountability and fiscal integrity in state and local government. Maintaining our independence as we provide this service to the taxpayers of Oklahoma is of utmost importance.

We wish to take this opportunity to express our appreciation for the assistance and cooperation extended to our office during our engagement.

This report is a public document pursuant to the Oklahoma Open Records Act (51 O.S. § 24A.1 et seq.) and shall be open to any person for inspection and copying.

Sincerely,

A handwritten signature in blue ink that reads "Cindy Byrd". The signature is fluid and cursive, with the first and last names clearly legible.

CINDY BYRD, CPA
OKLAHOMA STATE AUDITOR & INSPECTOR

Oklahoma State Bureau of Investigation Operational Audit

Background

The Oklahoma State Bureau of Investigation (OSBI or the Agency) is the general investigative agency of Oklahoma and provides services in support of law enforcement throughout the state. Its statutory duties are to:

1. Maintain scientific laboratories to assist all law enforcement agencies in the discovery and detection of criminal activity;
2. Maintain fingerprint and other identification files;
3. Operate teletype, mobile and fixed radio for other communication systems;
4. Conduct schools and training programs for the agents, peace officers and technicians of the state charged with the enforcement of law and order and the investigation and detection of crime;
5. Assist all law enforcement officers and district attorneys when such assistance is requested, and according to policy determined by the OSBI Commission;
6. Investigate and detect criminal activity as directed by the governor;
7. Maintain a Uniform Crime Reporting system; collect and correlate information; compile statistics on the volume and nature of crime and the administration of criminal justice within the state.

Commission members are appointed by the governor and confirmed by the Oklahoma Senate. Members as of September 2024 are:

Vic Regalado	Chairman/Sheriff Member
Bryan Smith	Vice-Chairman/Lay Member
Ron Cunningham.....	Lay Member
Jeff Van Hoose	Lay Member
Russ Landon	Chief of Police Member
Angela Marsee.....	District Attorney Member
Jerry N. Cason	Interim Lay Member

Oklahoma State Bureau of Investigation
Operational Audit

The following table summarizes the Agency's sources and uses of funds for fiscal years 2023 and 2024 (July 1, 2022 through June 30, 2024).

Sources and Uses of Funds for FY 2023 and FY 2024

	2023	2024
Sources:		
Appropriations	\$ 27,442,374	\$ 38,798,879
Services, Application, Criminal Record Search	12,136,503	10,811,454
OSBI Fees - Lab, AFIS, Forensic, Expungement	8,990,726	8,724,039
Fed Grants, Reimbursements, Fds from Other State Ag.	6,075,106	3,982,636
Other Revenues	378,553	837,786
Income from Money and Property	113,040	84,758
Total Sources	\$ 55,136,302	\$ 63,239,552
Uses:		
Personnel Services	\$ 38,572,951	\$ 39,991,352
Administrative Expenses	10,350,404	13,508,904
Property, Furniture, Equipment	4,341,130	5,117,763
Professional Services	806,870	598,143
Travel	612,081	424,812
Scholarships, Refunds, Litigation Costs and Other	412,102	236,296
Total Uses	\$ 55,095,538	\$ 59,877,270

Source: Oklahoma State Accounting System (unaudited, for informational purposes only)

**Scope and
Methodology**

Our audit was conducted in response to 74 O.S. § 212, which requires the State Auditor and Inspector's office to audit the books and accounts of all state agencies whose duty it is to collect, disburse, or manage funds of the state.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

In planning and conducting our audit, we focused on the major financial-related areas of operations based on assessment of materiality and risk for the period of July 1, 2014 through June 30, 2024. In assessing risk and developing our audit objective, we held discussions with management, distributed surveys to Agency personnel, reviewed documentation, and performed data analysis. These procedures included:

- Reviewing revenue, expenditure, and asset-related data from the state accounting system and information gathered from Agency personnel to assess the related financial processes and trends for any notable risks.
- Reviewing a selection of expenditure claims and supporting documentation and discussing the expenditure processes with staff, including the review of the 6 Digit Detail Expenditure Report.
- Reviewing records of the Agency's HR actions from the state accounting system and the Workday system to assess personnel changes with a financial impact during the audit period and reviewing a selection of payroll approval documentation for such changes.
- Reviewing inventory listings and discussing the inventory process with staff.
- Reviewing the Agency's commission meeting minutes and pertinent statutes and regulations.

One objective related to revenues was developed, as discussed in the next section. Due to the Agency's ongoing improvements to its inventory system, we determined an objective related to inventory would be more beneficial in a future engagement. No other significant risks or findings were identified as a result of these procedures.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, errors or fraud may occur and not be detected. Also, projections of any evaluation of internal control to

future periods are subject to the risk that conditions may change or compliance with policies and procedures may deteriorate.

Internal Control Considerations

The Government Accountability Office (GAO) emphasizes the importance of internal controls at all levels of government entities. Their *Standards for Internal Control*¹ outline the five overarching components of internal control: the control environment, risk assessment, information and communication, monitoring, and detailed control activities. Any component considered significant to our audit objectives is assessed during our procedures and included as appropriate in this report.

The *Standards for Internal Control* underscore that an internal control system is effective only when the five components of internal control are operating together in an integrated manner. They also stress that documentation is a necessary part of an effective internal control system and is required to demonstrate its design, implementation, and operating effectiveness.

¹ *Standards for Internal Control in the Federal Government*, or the "Green Book," sets standards and the overall framework for an effective internal control system in federal agencies and is treated as best practices for other levels of government. Last update 2014, accessible online at <https://www.gao.gov/products/GAO-14-704G>.

OBJECTIVE	Determine whether the agency's internal control system is operating effectively in line with Government Accountability Office <i>Standards for Internal Control</i> to ensure revenues collected as cash and check are deposited.
------------------	---

Conclusion	The Agency's internal control system is not operating effectively in line with GAO <i>Standards for Internal Control</i> to ensure revenues collected as cash and checks are deposited.
-------------------	---

Scope & Methodology	<p>To accomplish our objective, we performed the following:</p> <ul style="list-style-type: none">• Documented our understanding of the revenue processes through discussion with management and staff and review of relevant documentation and reports.• Evaluated those processes and identified and assessed significant internal controls related to our objective.
--------------------------------	--

FINDINGS AND RECOMMENDATIONS

Reconciliation of Receipts to Deposits by an Independent Party is Needed

Payments are received at the Agency via both mail and walk-in:

- The receptionist is responsible for opening the mail and does not maintain a mail log. Checks are given to the Accountant, who logs the checks into the relevant internal databases depending on the payment type. The mail-in checks are then given to the Head Cashier.
- Walk-in payments are receipted by cashiers and entered into the Agency's CounterPoint System.

The Head Cashier receipts and voids payments in CounterPoint for both mail and walk-in payments and is also responsible for preparing the deposit. The Accountant posts the deposit to the state accounting system.

There is no independent comparison of revenues received by the Agency to deposits made to the bank.

Both the Head Cashier and the Accountant are handling payments and controlling the internal records. Without a reliable, independent reconciliation, each of these positions has the opportunity to make an error or misappropriate funds without detection. Reportedly, beginning in 2024 either the Comptroller or the Accounting Supervisor reconciles the deposit to the end of day reports from CounterPoint. However, this review is not formally documented and did not occur during our audit period.

Mail-in payments include Criminal History Information Request Portal (CHIRP) payments from state agencies and citizens for background checks. Management noted there is no formal reconciliation between customers invoiced and payments received for these services. This increases the opportunity for a check to be lost or misappropriated without detection.

According to GAO *Standards for Internal Control*:

- Management should establish an organizational structure, assign responsibility, and delegate authority to achieve the entity's objectives.
- Management should remediate identified internal control deficiencies on a timely basis.

Recommendation

To address the risks associated with checks received through the mail, we recommend the receptionist log all mail-in payments. In addition, management should ensure the Agency is collecting all CHIRP payments and following up with customers on outstanding balances.

We recommend management ensure the Head Cashier does not have the ability to receipt payments and void payments in CounterPoint given she is also responsible for the deposit process. In addition, management should formally document the reconciliation of the mail log and CounterPoint reports to the deposits made with the bank (such as the bank receipt). This review should include the void report from CounterPoint.

Views of Responsible Officials

Please see the Agency's letter for response at the end of this report.

OTHER ITEMS NOTED

Although not considered significant to the audit objective, we feel the following issue should be communicated to report users.

**Formal Written
Agreements
and Policies
Needed for
Employee
Associations**

According to Management, there is an active Agents Association and an active Employee's Association for OSBI employees, but there are no official ties between either of the Associations and OSBI. During our planning process, management requested we ensure there are no issues regarding the relationship between OSBI and the associations similar to those found in the 2013 investigative audit conducted by our office.

We attempted to collect detailed information relating to the Associations such as the written agreements governing their relationships with OSBI and a listing of employees active with the associations.

- The Agency does not have a written agreement of understanding with the Employee's Association.
- They do have an Agreement of Understanding with the Agents Association, but it is dated October 2023 and was not in place for most of the audit period.
- We were unable to obtain any listing of employees. This listing would be necessary to perform procedures to determine, for example, whether individuals were performing Association duties on OSBI time.

Given the lack of audit period contracts and related documentation, no formal objective was developed for this engagement. The recommendations in the prior audit still stand:

- The Bureau should consider executing a memorandum of agreement or some equivalent documented understanding of its on-going relationship with the Employee's Association.
- Official policies should be issued defining OSBI's stance on Employee Associations and any related employee involved activities, ensuring such policies are in compliance with state guidance² and maintain the integrity of the OSBI's purpose and mission.

² Under Article 10 Section 15 of the Constitution of the State of Oklahoma, the credit of the State shall not be given, pledged, or loaned to any individual, company, corporation, association, or political subdivision of the State, nor shall the State make donation by gift, or otherwise, to any company, association, or corporation.



Oklahoma State Bureau of Investigation

AUNGELA SPURLOCK
Director

STEVEN CARTER
Deputy Director

October 11, 2024

Cindy Byrd, Oklahoma State Auditor & Inspector
2300 N. Lincoln Blvd, Ste 123
Oklahoma City, OK 73105-4805

Re: Audit

Dear Ms. Byrd,

Over the past two years the OSBI has seen a complete turnover of administration from the agency director down to the comptroller. With this new administration comes additional improvements and efficiencies.

Procedures have been put into place to segregate financial duties, transition to paperless invoice payment processing, and recording of revenue. The second review and count of the daily deposits, with verification initials on relevant documentation, and written procedures are being updated to document the process changes.

Finance staff have always performed monthly Form 11 reconciliations comparing revenue recorded in CounterPoint (POS) against the OST Treasurer's Statement and the Statement of Receipts and Disbursements (SRD) in PeopleSoft as required by OMES. As recommended, we will update our written procedures to indicate what is being reconciled and attach relevant documentation to the Form 11 digital files maintained at the agency level.

We have evaluated our structure to ensure we are performing both efficiently and effectively. In FY2025, a result of that review, we have added a second Finance supervisor; one supervisor manages both budget and accounts receivables and the other manages accounts payable, inventory and reporting. Currently, the budget and accounts receivable supervisor is conducting a thorough review of revenue/billing processes and will make recommendations for changes and

HEADQUARTERS
6600 N. Harvey
Oklahoma City, OK 73116-7910
(405) 848-6724
Fax (405) 843-3804
TDD (405) 843-7303

October 11, 2024

improvements based on those findings; including reconciliation of aged receivables monthly, to the comptroller and division director.

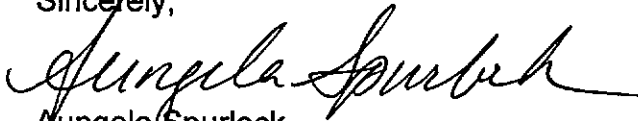
We will be implementing a process where voids must be approved in real-time by a supervisor, effective immediately. We are currently working toward a cashless system of payments, no longer accepting cash or checks for payment of services, and only accepting payments via credit card or Electronic Funds Transfer (EFT), with the goal of staged implementation beginning in FY2025.

A system for logging received mail will be implemented immediately to log all incoming mail containing checks. This log will include at a minimum the date of receipt, the sender's name, the amount of the check, the check number and the item/service being purchased. This mail log will be provided, read-only, to finance monthly to reconcile against checks deposited.

Steps are currently being taken to obtain a Memorandum of Understanding (MOU) between the OSBI and the Employees' Association. There has been an MOU in place with the OSBI Agents' Association since October 2023.

The OSBI takes great pride in the services we are able to provide stakeholders and understands we must consistently evaluate ways we can become more efficient and effective. We appreciate the time and effort placed upon the inquiry conducted by your office, and your interest in working with us during the extended process. As an agency, we value the feedback and will utilize it to help guide process evaluations and adjustments going forward.

Sincerely,



Angela Spurlock
Director



Cindy Byrd, CPA | State Auditor & Inspector

2300 N. Lincoln Blvd., Room 123, Oklahoma City, OK 73105 | 405.521.3495 | www.sai.ok.gov